

PUBLIC EMPLOYEES RETIREMENT BOARD
Employee Investment Advisory Council
100 North Park
Helena MT 59601
March 9, 2004

Kathy Samson, Council Chair with the following in attendance, called the meeting to order:

Council Members:

Kathy Samson, Public Employee's Retirement Board Representative
Kevin McRae, State Employee Representative
John Northey, State Employee Representative
Jim Penner, Board of Investments Representative
Tom Schneider, Labor Organization Representative
Jim Christnacht, Retired Public Employee Representative
Pam Fleisner, School District Employee Representative
Terrence Smith, Local Government Employee Representatives
Lorraine Reid, Local Government Employee Representative
Glen Leavitt, University System Representative

Council Member who attended after lunch:

Ron Alles, Local Government Employee Representative

Council Members who were excused:

Angela McDannel, State Employee Representative was excused due to illness.

Tom Bilodeau, Labor Organization Representative was excused due to a schedule conflict.

Others in attendance are as follows:

MPERA staff: Mike O'Connor, Keith McCallum, Melanie Symons, Kim Flatow, Carolyn Miller, and Rob Virts.

Scott A Farris: consultant for Arnerich Massena and Associates, Inc.

HOUSEKEEPING ITEMS

The PERB adopted new IPS language for both the 401(a) and 457 Plans at the February 26, 2004 meeting. The change states that when investment options are terminated and the funds closed, any remaining assets in the closed funds at the end of the 90-day window will be mapped to a similar fund. MPERA intends to have a hearing on both Investment Policy Statements the end of March. If the rule making process goes smoothly, both Investment Policy Statements should be adopted as administrative rules by May 7, 2004.

Glen Leavitt moved to accept the minutes of the December 4, 2003 EIAC meeting; Jim Penner made the second. Tom Schneider moved to accept the minutes of the January 16, 2004 meeting; John Northey made the second. Both motions passed with nine votes in favor and none opposed. These minutes are now available on our website: <http://www.discoveringmontana.com/doa/perb/perb.htm>

401 (a) DEFINED CONTRIBUTION PLAN - ANNUAL FUND ALTERNATIVES REVIEW

John Northey moved to put **State Street Global Advisors (SSgA) International Growth Opportunities** on watch; the rationale is they did not meet the criteria per the IPS. Tom Schneider made the second; the motion passed with nine votes in favor and none opposed.

457 DEFERRED COMPENSATION PLAN - ANNUAL FUND ALTERNATIVES REVIEW

Jim Penner moved to put **Columbia High Yield Z** on watch status by virtue of not meeting guidelines per the IPS. Tom Schneider made the second; the motion passed with nine votes in favor and none opposed.

John Northey moved to conduct a search to replace **Strong Opportunity**. The rationale is the fund has been on “watch” for one year for underperformance and no longer meets fund criteria per the IPS. Tom Schneider made the second; the motion passed with 9 votes in favor and none opposed.

Glen Leavitt moved to put **Neuberger-Berman Genesis Trust** on watch for performance and style drift issues. John Northey made the second. The motion passed with six votes in favor and three votes opposed. Tom Schneider expressed the opposition that there are many participants and assets in this fund and the issues are not significant. Jim Penner expressed the opposition that Neuberger-Berman is a well-managed fund, that has moved from small to mid-cap because it is a winner and the winners should be kept. Pam Fleisner expressed the opposition that it is an over-reaction to put the fund on watch.

Jim Penner moved to delete the **Janus Balanced Fund** as an investment option for compliance and performance issues; to not add a replacement to the investment list; and to designate the Dodge & Cox Balanced Fund as the replacement. Tom Schneider made the second; the motion passed with nine votes in favor and none opposed.

Tom Schneider moved to replace **Janus Worldwide** for a combination of legal issues and not meeting criteria per the IPS; with American Funds New Perspective Fund, with a preference for the A share if it is available; if not the R share. Further rationale is the fund was placed on probation until this March meeting and the committee ordered a replacement search during the January 16 meeting. Jim Penner made the second; the motion passed with nine votes in favor and one opposed.

PENDING WORK

- 1) The 401(a) and 457 Plan Participants may be referred to the Arnerich Massena & Associates, Inc. website for updated information on Mutual Fund Developments.
- 2) Scott Farris will provide us with the 7 criteria that Arnerich Massena & Associates, Inc. uses to analyze questionable trading practices.
- 3) Great West letter proposing to implement procedures they will establish to identify participants who have excessive trading or who are market timing in our plan. The letter states MPERA must respond within 30 days or we'll have deemed to accept the terms of their procedures. Kathy plans to be pro-active towards this Great West proposal.
- 4) Asset Allocation Funds
- 5) 457 Fee Structure; potential fee decrease
- 6) PIMCO will pay us a visit to review the portfolio and discuss their litigation.
- 7) Scott Farris will conduct a manager search to replace Strong Opportunity.

CLOSING BUSINESS

The next meeting is set for April 6, 2004 in the MPERA Board Room at 8:30 a.m. Tom Schneider moved to adjourn the meeting.